

Message Text

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51

ACTION SS-25

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INFO AMEMBASSY JIDDA

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C O N F I D E N T I A L CAIRO 5166

EXDIS

FOR UNDER SECRETARY ROBINSON

ANKARA FOR ASSISTANT SECRETARY ATHERTON

E.O. 11652: GDS

TAGS: USEGJC EAID

SUBJECT: ASSISTNACE TO EGYPT; DISCUSSION WITH IBRD REPS

REF: A. CAIRO 5061 B. STATE 111831

1. CHARGE WAS VISITED MAY 22 AT HIS REQUEST BY
IBRD REPS DUBEY AND IKRAM. PURPOSE OF MEETING
WAS TO PROVIDE GENERAL BRIEFING ON CURRENT STATUS
US EFFORTS ASSIST EGYPT THROUGH PRESENT
ECONOMIC CRISIS. HE OUTLINED CONTACTS BETWEEN
UNDER SECRETARY ROBINSON AND MCNAMARA IN
WASHINGTON (REF B) AND BASIC POSITION TAKEN BY
UNDERSECRETARY IN MEETINGS WITH MINFIN ABU ISMAIL
AND PRIMIN SALIM DURING RECENT VISIT TO CAIRO (REF A).

2. CHARGE INDICATED THAT PRINCIPAL CONCERN OF
POTENTIAL DONORS FOCUSED ON NECESSITY FOR
ASSURANCE THAT EGYPT WILL MAKE MEANINGFUL EFFORT
TO BETTER MANAGE ITS FOREIGN CURRENCY RESORUCES.
BEST MEANS OF PROVIDING GOE WITH ADVICE AND
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COUNSEL NEED TO IMPROVE FINANCIAL MANAGEMENT

APPEARED TO BE INTERNATIONAL ORGANIZATION SUCH AS IBRD. UNDER SECRETARY HAD REPEATEDLY STRESSED NECESSITY FOR PROVIDING POTENTIAL DONORS WITH REASONS TO BELIEVE PROBLEM IS BEING EFFECTIVELY MANAGED IF EGYPT WERE TO RECEIVE NECESSARY SHORT TERM SUPPORT. HE THEREFORE HAD URGED THAT GOE EXTEND INVITATION TO IBRD TO PROVIDE ADVICE ON STEPS THAT MIGHT BE TAKEN IN THIS REGARD.

3. DUBY NOTED THAT PRESENCE OF MISSION IN EGYPT WAS RELATED TO NORMAL ANNUAL VISIT, BUT HE WAS, OF COURSE, PREPARED TO CONSIDER SUCH REQUEST FROM GOE. HE STRESSED THAT TEAM DID NOT YET FEEL IT HAD ALL INFORMATION NECESSARY FOR DEVELOPMENT OF PROPOSALS AND INDICATED THAT HE WAS KEEPING OPEN MIND UNTIL SUCH TIME AS IT BECAME AVAILABLE. HIS INTENTION IS TO DEVELOP RECOMMENDATIONS FOR CONSIDERATION BY VP BEN JENK UPON LATTER'S ARRIVAL JUNE 1 AND SUBSEQUENT SUBMISSION TO GOE.

4. CHARGE SAID THAT MINFIN ABU ISMAIL HAD REPEATEDLY STATED THAT HE WOULD MAKE ALL NECESSARY INFORMATION AVAILABLE TO IBRD TEAM AND THAT PRIMIN HAD ALSO INDICATED HIS DESIRE COOPERATE. RELUCTANCE TO COMMIT EGYPT TO ACCEPTANCE RECOMMENDATIONS WHICH MIGHT BE FORTHCOMING WAS QUITE EVIDENT IN EARLY STAGES UNDER SECRETARY'S MEETINGS, BUT INVITATION FROM ABU ISMAIL TO MEET WITH TEAM MEMBERS (MEETING WAS TO TAKE PLACE IMMEDIATELY FOLLOWING SESSION WITH CHARGE) SEEMS TO INDICATE UNDER SECRETARY'S MESSAGE GOT THROUGH. THIS WAS ENCOURAGING BECAUSE IT WAS IMPORTANT THAT DONORS BECOME AWARE OF EGYPTIAN WILLINGNESS AT LEAST DISCUSS EFFECTIVE FOREIGN EXCHANGE MANAGEMENT WITH WORLD BANK SO THAT OUR EFFORTS ATTRACT CONTRIBUTIONS FROM OTHER NATIONS WOULD HAVE SUCCESS.

5. IN THIS CONNECTION CHARGE RECALLED RECENT VISIT OF IMF MISSION AND UNFAVORABLE EGYPTIAN REACTION TO WHAT THEY CONSIDERED TOO DRASTIC
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PROPOSALS WHICH FAILED TO TAKE INTO ACCOUNT FRAGILITY OF THEIR INTERNAL POLITICAL SYSTEM. BOTH DUBAY AND IKRAM REPLIED THEY WERE FAMILIAR WITH IMF FAILURE AND SOME OF ITS CAUSES. THEY HAD NO INTENTION OF MAKING SAME MISTAKE. THEY DID SAY, HOWEVER, THAT AIDE MEMOIRE FROM BANK THEY HAD RECENTLY DELIVERED TO GOE UNDERLINED EGYPT'S FAILURE TO CARRY OUT MEASURES WHICH BANK HAD

INFORMALLY RECOMMENDED LAST YEAR RELATING TO SUBSIDIES, DETERMINING COST EFFECTIVENESS OF PUBLIC COMPANIES, ENCOURAGING PRIVATE INVESTMENT, AND MANAGING EXTERNAL RESOURCES. AGREEMENT, APPARENTLY CONCLUDED BETWEEN MCNAMARA AND HEGAZY, IS NOT KNOWN TO EMBASSY, BUT WAS APPARENTLY ONE OF STEPS PRECEDING MARKED INCREASE IN IBRD LENDING OVER PAST YEAR.

6. DUBEY WAS ASKED IF WORLD BANK SUBSCRIBED TO PRINCIPLE THAT DURING PERIOD OF EMERGENCY FINANCIAL ASSISTANCE THERE COULD BE NO NET REPAYMENT OF EGYPT OF OFFICIAL FOREIGN DEBT. HE REPLIED THAT IBRD HAD NO FIXED RULES IN SUCH CASES BUT COMPLETELY UNDERSTOOD NATURE OF PROBLEM AND US CONCERNS IN PARTICULAR.

7. DUBEY AGREED TO KEEP EMBASSY IN PICTURE WITH RESPECT TO IBRD MISSION EFFORTS.
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